

COMMONWEALTH OF KENTUCKY
BEFORE THE PUBLIC SERVICE COMMISSION

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In the Matter of:

ADJUSTMENT OF THE RATES OF)
AUXIER ROAD GAS COMPANY, INC.,) CASE NO. 9318
FOR AN INCREASE IN GAS RATES)

O R D E R

On March 29, 1985, Auxier Road Gas Company, Inc., ("Auxier Road") filed an application with this Commission requesting authority to adjust its gas rates to produce additional revenues of \$120,299 over normalized test-year revenues, an increase of 26.6 percent. As a part of this application, Auxier Road requested that it be granted Interim Emergency Monthly Rates. The interim rates proposed would increase the average monthly bill by \$9.16, or 11 percent. In its application Auxier Road stated that its revenues were declining due to reduced annual sales volumes, decreased customer usage and system line losses. Auxier Road further stated that annual sales volumes have declined 10,437 MCF, which would result in a decrease in revenues of \$24,172 at current rates.

Current Commission guidelines state that an applicant may qualify for interim rate relief when it proves that non-discretionary expenditures have been incurred that cannot reasonably be paid without materially impairing the credit or

operations of the utility. In order to meet this criterion, verifiable proof that these conditions will occur in the 5-month suspension period if the interim rates are not granted must be submitted. The guidelines further require the submission of a monthly cash flow analysis for each month prior to the expected final Order in the applicant's general rate case.

In its original application, Auxier Road filed no exhibits or testimony supporting its motion for emergency interim rates. However, on April 19, 1985, Auxier Road filed additional testimony and exhibits intended to comply with required Commission guidelines. According to testimony presented therein, the interim rates would provide additional revenues of \$11,800 during the interim period. In support of the interim rates, Auxier Road filed a forecasted cash flow analysis which showed that its cash balance would decrease from \$18,539 to \$2,997 during the period of January 31, 1985-June 30, 1985, if the interim rates are not granted. The cash flow analysis provided does not comply with Commission guidelines because it does not include an analysis for each month prior to the expected final Order in the rate case. In its application, Auxier Road proposed that the final rates be effective April 19, 1985. The Commission suspended the rates for 5 months and, therefore, the final Order in the rate case is due September 19, 1985, whereas the cash flow analysis extends only through June 1985. Furthermore, based on the cash flow analysis presented, it is apparent that Auxier Road will be able to pay all of its non-discretionary expenditures without materially impairing its credit or operations. The reduction of the cash balance to

\$2,997 during the off-peak months is not sufficient cause to warrant interim rates. Therefore, it is the Commission's opinion that Auxier Road has not met its burden of proof of demonstrating that the credit or operations of the utility will be materially impaired if the interim rates are not granted.

The Commission, having considered the request for an interim rate increase and being advised, is of the opinion and finds that:

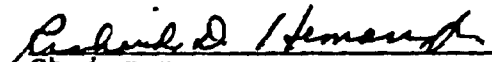
1. Auxier Road has not complied with the Commission's guidelines for applications for interim rate relief and, accordingly, the request for interim rates should be denied.


2. The application for interim rate relief does not indicate that Auxier Road would be unable to perform its normal operations or that it would be financially impaired should the requested emergency increase be denied.

IT IS THEREFORE ORDERED that the request by Auxier Road for an interim rate increase be and it hereby is denied.

Done at Frankfort, Kentucky, this 13th day of May, 1985.

PUBLIC SERVICE COMMISSION


Chairman


Vice Chairman


Commissioner

ATTEST:

Secretary